

Leverage Lite

Effective Date: 4/6/2018

Grade	FICO	Loan Amount	Full Doc					
			24 Months			12 Months		
			Reserves	LTV/CLTV		Reserves	LTV/CLTV	
				Purch / RT Refi	Cash Out		Purch / RT Refi	Cash Out
A	720+	<=1,000,000	2 months	90	85	6 months	85	80
		1,000,001 - 1,500,000	6 months	90	80	6 months	80	75
		1,500,001 - 2,000,000	6 months	85	75	6 months	75	70
	680 - 719	<=1,000,000	2 months	90	80	6 months	80	75
		1,000,001 - 1,500,000	6 months	90	80	6 months	75	70
		1,500,001 - 2,000,000	6 months	80	75	6 months	75	70
	660 - 679	<=1,000,000	2 months	85	80	6 months	80	70
		1,000,001 - 1,500,000	6 months	85	80	6 months	75	70
		1,500,001 - 2,000,000	6 months	80	75	6 months	70	70
	640 - 659	<=1,000,000	2 months	85	80			
		1,000,001 - 1,500,000	6 months	80	75			
		<=1,000,000	2 months	80	80			
B	600+	<=1,000,000	2 months	80	75			
		1,000,001 - 1,500,000	6 months	80	75			
		<=1,000,000	2 months	80	75			
	580 - 599	1,000,001 - 1,500,000	6 months	80	75			
		<=1,000,000	2 months	75	70			
B-	620+	<=1,000,000	2 months	75	70			
	500 - 619	<=1,000,000	2 months	70	65			
C	500+	<=1,000,000	2 months	65	65			

Grade	FICO	Loan Amount	Self-Employed Solutions					
			24 Mo Bank Statements			12 Mo Personal Bank Statements		
			Reserves	LTV/CLTV		Reserves	LTV/CLTV	
				Purch / RT Refi	Cash Out		Purch / RT Refi	Cash Out
A	720+	<=1,000,000	6 months	90 <sup>1</sup> /85	80	6 months	80	80
		1,000,001 - 1,500,000	6 months	85	75	9 months	80	75
		1,500,001 - 2,000,000	6 months	80	70	12 months	75	70
	680 - 719	<=1,000,000	6 months	85	80	6 months	80	75
		1,000,001 - 1,500,000	6 months	80	75	9 months	80	75
		1,500,001 - 2,000,000	6 months	75	70	12 months	75	70
	660 - 679	<=1,000,000	6 months	85	80	6 months	75	70
		1,000,001 - 1,500,000	6 months	80	75	9 months	75	70
		1,500,001 - 2,000,000	6 months	75	70	12 months	70	70
	640 - 659	<=1,000,000	6 months	80	80			
		1,000,001 - 1,500,000	6 months	80	75			
		<=1,000,000	6 months	80	75			
620 - 639	<=1,000,000	6 months	80	75				
	1,000,001 - 1,500,000	6 months	80	75				
	<=1,000,000	6 months	80	75				
B	600+	<=1,000,000	6 months	80	75			
		1,000,001 - 1,500,000	6 months	80	70			
	580 - 599	<=1,000,000	6 months	80	75			
		1,000,001 - 1,500,000	6 months	80	70			
	540 - 579	<=1,000,000						
B-	620+	<=1,000,000						
	500 - 619	<=1,000,000						
C	500+	<=1,000,000						

Note: 1) LTV/CLTV>85% available for Personal Bank Statements only

GENERAL	
Loan Amounts	• Program Minimum Loan Amount: \$100,000 • Loan Amount < \$150,000: 80% Max LTV • Loan Amounts>\$1,500,000 require 2 appraisals
Maximum Cash to Borrower	• Maximum cash to borrower is limited to 75% of Property Value including Free and Clear properties • Loan Amounts exceeding \$1,000,000, Loan Amounts less than \$150,000, Condominiums, and Multi-Units limited to 70% of Property Value
Eligible Products	• 15 Year Fixed • 30 Year Fixed • Interest Only Available for 30 Year and 40 Year • 40 Year Fixed ( Interest-Only) • 5/1 LIBOR ARM (2/2/5 Caps) • 7/1 LIBOR ARM (5/2/5 Caps) - ARM Qualifying Rate: Greater of the Fully-Indexed Rate or Note Rate - ARM Index: 12 Month LIBOR - ARM Note Margin = 3.75% - ARM Floor = Margin
Interest Only	• IO Period: 120 Months • Available Products: 5/1 ARM, 7/1 ARM, 30 or 40 Year Fixed • Loan Term: 360 Months (Qualified Term: 240 Months) • Loan Term: 480 Months (Qualified Term: 360 Months) • A & B Grades Only • Minimum FICO: 660 • Maximum LTV/CLTV: 80%
Second Homes	• Maximum LTV/CLTV: 80% or program max, whichever is lower • A, B, & B- Grades Only • Minimum FICO: 540 • Residual Income: Minimum of \$2,500 / Month. Add \$250 for the first dependent. Add \$125 for each additional dependent. • Maximum LTV/CLTV: 80%
CREDIT	
Income Tax Liens	All income tax liens (federal, state, local) must be paid off prior to or at loan closing. Tax liens that do not impact title may remain open provided the following are meet; • The file must contain a copy of the repayment agreement • A minimum of 6-payments has been made under the plan with all payments made on time • The balance of the lien must be included when determining the maximum CLTV for the program • Refinance transactions require a subordination agreement from the taxing authority
Tradeline Requirements	<b>Standard Tradeline Requirements:</b> A minimum of three trade lines per credit report. At least one trade line should be active for the most recent 24 months; and two trade lines should have reported in the last 12 months. <b>Limited Tradeline Requirements:</b> If Standard Tradelines requirements are not met and the borrower has a valid credit score per the Credit Score section of this guide the following restrictions apply: • Max grade of B • Max LTV/CLTV of 75% • A 10% down payment has been made by the borrower from their own resources • Primary residences only • Not allowed for 12 month bank statement and Asset Depletion doc types
Residency	• US Citizen; Permanent resident alien; Non-permanent resident alien

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DTI/INCOME/ASSETS	
12 Months Bank Statements Restrictions	<ul style="list-style-type: none"><li>Maximum DTI is 43%;</li><li>Non-occupant co-borrowers not allowed;</li><li>Minimum 660 credit score;</li><li>Primary Borrower must be Self-Employed;</li><li>Limited to sole proprietor and 100% business owners;</li><li>First-time Homebuyer not allowed</li></ul> <p>Personal Accounts:</p> <ul style="list-style-type: none"><li>Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying <b>4</b> years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search;</li><li>Verify that the borrower is 100% owner of the business;</li><li>Most recent 12 months of PERSONAL bank statements;</li><li>Most recent 2 months of BUSINESS bank statements</li></ul>
Asset Utilization	<p>A borrower's liquid assets may be used to augment income for loan and product qualification purposes. See guidelines for details</p> <ul style="list-style-type: none"><li>Max LTV: 75%</li><li>Max Loan Amount: \$1,000,000</li><li>Max DTI: 43%</li><li>Minimum FICO: 680</li><li>Minimum Reserves: 6 Months</li><li>A Grade only</li></ul>
Borrowers who live rent free or without a complete 12-month housing history	<ul style="list-style-type: none"><li>DTI may not exceed 36%</li><li>Full documentation (24 months) only</li><li>Primary Residence only</li><li>Four (4) months of reserves added to the otherwise applicable requirement</li><li>10% minimum borrower contribution</li><li>Any available portion of a 12-month housing history must be paid as agreed.</li><li>Borrower(s) who own their primary residence free and clear aren't considered living rent free</li></ul>
Debt-To-Income (DTI)	<ul style="list-style-type: none"><li>43% Maximum DTI</li><li>50% DTI Allowed with the following restrictions:<ul style="list-style-type: none"><li>A minimum of 6 months of reserves are required;</li><li>LTV/CLTV may not exceed 85%;</li><li>Not Allowed for 12 mo Bank Statements or Asset Utilization doc types</li></ul></li><li>55% DTI Allowed with the following restrictions:<ul style="list-style-type: none"><li>A minimum of 12 months of reserves are required;</li><li>LTV/CLTV may not exceed 80%;</li><li>Primary Residence Only;</li><li>First Time Home Buyer not permitted;</li><li>Refinance transactions that do not meet the Net Tangible Benefit definition are not allowed;</li><li>Residual: Minimum of \$3,000 / Month. Add \$250 for the first dependent. Add \$125 for each additional dependent;</li><li>Allowed for 24 mo Full Income Documentation only</li></ul></li></ul>
Gift Funds	<ul style="list-style-type: none"><li>Unless otherwise specified, Gift Funds are acceptable if ONE of the following applies:<ol style="list-style-type: none"><li>A 5% down payment has been made by the borrower from their own resources</li><li>100% Gift Funds are allowed for Leverage Prime-Full Doc loans only, with a maximum LTV of 75%. Borrower(s) must meet both reserve and residual income requirements.</li></ol></li><li>Fannie Mae guidelines should be used for donor relationship to borrower(s), documentation, proof of funds, and evidence of receipt;</li><li>Gift funds may not be used to meet reserve requirements;</li><li>Gift of Equity allowed for Primary Residence only. Must meet all other guidelines for Gift Funds.</li></ul>
Reserves	<ul style="list-style-type: none"><li>Additional Reserves - Each financed property in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA on the subject property to a maximum requirement of 12 months (Additional reserves based upon the PITIA of the subject property);</li><li>Reserves for a loan with an Interest Only feature based upon the interest only payment;</li><li>Proceeds from a cash-out refinance cannot be used to meet the minimum reserve requirements unless the loan meets the requirements listed under, cash-out debt consolidation;</li><li>Reserve requirements are waived for Rate-And-Term Refinance transactions when the transaction results in a reduction to the monthly principal and interest payment of 10% or greater AND housing history is 1x30x12 or better. Waiver not eligible for DTI greater than 50%. For an interest only loan the reduction is based on the amortizing payment used for loan qualification;</li><li>Proceeds from 1031 Exchange cannot be used to meet reserve requirements.</li></ul>
Residual Income	<ul style="list-style-type: none"><li>Minimum of \$1,250 / Month. Add \$250 for the first dependent. Add \$125 for each additional dependent.</li></ul>
PROPERTY	
Appraisal	<ul style="list-style-type: none"><li>Appraisal should be dated no more than 120 days prior to the Note Date. After a 120-day period, a re-certificatiion of value is acceptable up to 180 days. New appraisal is required after 180 days.</li><li>Condition rating must be C4 or lower; Quality rating of Q5 or below is acceptable.</li><li>Second Appraisal from Clear Capital or Assurance is required when any of the following conditions exist. The lower of the two "Appraised Value" is used and the second appraisal must be from a different company and appraiser than the first appraisal.<ul style="list-style-type: none"><li>Loan Amount exceeds \$1,500,000</li><li>Transaction is a flip as defined in the Property Flipping section</li></ul></li><li>Appraisal Review:<ul style="list-style-type: none"><li>CDA from Clear Capital is required on all transactions; or</li><li>A field review or 2nd appraisal from Approved AMC is acceptable. Source of the appraisal review product may not be the same AMC used for the appraisal.</li></ul></li><li>If the CDA reflects a value more than 10% below the appraised value or cannot provide a validation, the next option in the review must be followed which is a field review or 2nd appraisal.</li></ul>
Property Type Limitations	<ul style="list-style-type: none"><li>Condo / 2-4 Unit: 85% Max LTV</li><li>Non-Warrantable Condo: 80% Max LTV</li><li>Non-Warrantable Condo Maximum Loan Amount: \$1,500,000</li><li>Rural Property: 80% Max LTV</li><li>Max 10 acres</li></ul>
MISCELLANEOUS	
Compliance	<ul style="list-style-type: none"><li>Impounds are required</li><li>Loans considered high-cost by Federal or State law are not eligible for purchase</li><li>Points and Fees may not exceed 3%</li></ul>
Eligible States	<ul style="list-style-type: none"><li>See our licensed state list</li></ul>
Financed Properties	<ul style="list-style-type: none"><li>20 financed properties including subject; Royal's exposure to a single borrower not to exceed \$3,000,000 or 6 properties;</li><li>Add 2 months reserves for each additional financed property (including departure residence). Total reserve requirement is not to exceed 12 mo.</li></ul>

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First Time Home Buyers	<ul style="list-style-type: none"><li>• Primary residence only</li><li>• Minimum 540 credit score</li><li>• DTI may not exceed 50%</li><li>• Minimum 6 months of reserves</li><li>• Not eligible for 12-month bank statement income documentation</li><li>• 12-month rental history required reflecting 0x30. Rental history is not required for borrowers living rent free</li><li>• Payment shock limited as follows:</li></ul>		
Interested Party Contributions	<ul style="list-style-type: none"><li>• LTV&gt;=75: 4% • LTV&lt;75: 6%</li></ul>		
Non-Occupant Co-Borrowers	<ul style="list-style-type: none"><li>• Allowed for Full Doc only, co-borrowers must be immediate family members.</li><li>• Borrower and Co-Borrower must complete and sign a Non-Occupant Co-Borrower Certification</li><li>• Occupying borrower(s) must have a DTI ratio of 55% or less. Excluding income/debts of non-occupant borrower.</li><li>• Eligible transactions limited to purchase only.</li></ul>		

GRADE DETERMINATION	
Grade	A
Minimum FICO	620
Housing	1x30x12
BK (Chap 13 Discharge)	12 mo
BK (Other)	24 mo
Foreclosure	24 mo
Short Sale/DIL	24 mo
Grade	B
Minimum FICO	540
Housing	0x60x12
BK (Chap 13 Discharge)	Settled
BK (Other)	24 mo
Foreclosure	24 mo
Short Sale/DIL	Settled
Grade	B-
Minimum FICO	500
Housing	0x90x12
BK (Chap 13 Discharge)	Settled
BK (Other)	12 mo
Foreclosure	12 mo
Short Sale/DIL	Settled
Grade	C
Minimum FICO	500
Housing	1x120x12
BK (Chap 13 Discharge)	Settled
BK (Other)	Settled
Foreclosure	Settled
Short Sale/DIL	Settled